



Commercial Service Caribbean Region Santo Domingo

IMPACT OF CAFTA-DR IN THE MEDICAL EQUIPMENT SECTOR

CAFTA-DR Facts:

The United States and Dominican Congresses recently approved the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR). The agreement will greatly expand the bilateral trade between the participating countries; it will also allow for greater access for U.S. exports into the region. The member states of CAFTA-DR, combined, already constitute the 10th largest market for U.S. exports in the world. In 2004, the United States exported nearly \$16 billion of manufactured goods to the region, of which 27% was exported to the Dominican Republic; the largest market among the CAFTA-DR partners. The United States exports 56% of all Dominican imports and enjoys a market share of over 70% in consumer goods imports into the Dominican Republic.



CAFTA-DR is expected to be implemented on January 1, 2006. However, the CAFTA-DR partners that have ratified or approved the agreement must formally agree on an implementation date. The U.S. Chamber of Commerce estimates that upon implementation of the CAFTA-DR, US exports to the region could grow by 20% in the first year. When implemented, CAFTA-DR provides for the immediate elimination of tariffs on 80% of all manufactured goods exported from the United States. Customs duties on the remaining 20% of products will be phased out over the next five to fifteen years. In addition, the CAFTA-DR will require each member country to take steps to improve government transparency, customs procedures and the protection of foreign investments.

Under the CAFTA-DR, US imports into the Dominican Republic have been classified by categories. Each category provides for the elimination of customs duties in different stages. Some products will enter the Dominican Republic duty-free on the date the agreement enters into force, while others will receive gradual reductions on the customs duties. All of the products in the medical equipment sector have been categorized within group A. An explanation of this category follows:

Category A:

Duties on goods under this category will be eliminated entirely on the date the agreement enters into force.

For the products included under each category please refer to the attached list.

It should be noted that the benefits of CAFTA-DR are for those products that comply with the "Rules of Origin" established in Chapter Four of the agreement. Under these rules, a product that is manufactured in another country, for example Japan or China, will not receive duty-free treatment even if it is imported from the United States.



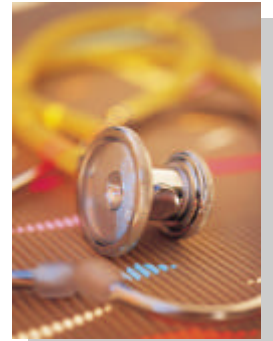
Import market:

The Dominican market for Medical Equipment is 100 percent dependant of imports, which is dominated by U.S. imports (60 percent), followed by Asia (30 percent), and Europe (10 percent). Receptivity to U.S. products is very good and they are generally considered to be of the best quality. Upon implementation of the CAFTA-DR, it is expected that U.S. exports to the D.R. will inevitably increase since all these products will immediately enter duty-free.





Another important benefit of the CAFTA-DR is that several other taxes and fees levied on American products exported to the Dominican Republic will be eliminated. These are the Consular Invoice (current value varies), and the Exchange Surcharge (currently 13%). However, a 16% ITBIS tax (value added tax on industrialized goods and services) is required to be applied to most products sold in the Dominican Republic. As a result of the elimination of these taxes, the prices of medical equipment are expected to decline, while imports from the United States are expected to increase.



Market Access And Market Entry Issues:

The market access situation is extremely favorable for American medical equipment; there are no import regulations for the enforcement of quality, technical, or safety standards and U.S. standards are currently accepted and respected in the Dominican Republic. However, disposable medical supplies cannot be imported into the Dominican Republic without a Sanitary Registration. The government institution responsible for issuing the Sanitary Registration certificates is the Department of Drugs and Pharmacies (Departamento de Drogas y Farmacias) of the Secretariat of State for Public Health (please see contact information below). The fact that a product has been FDA approved does not exempt it from the registration requirement. Please note that it is not possible for a foreign company to apply for a Sanitary Registration. Therefore, U.S. companies should first appoint a Dominican representative or register a company under the laws of the Dominican Republic before exporting disposable medical supplies to the D.R.

Contact at the Department of Drugs and Pharmacies

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To succeed in the Dominican market of Medical Equipment, it is advisable to have a local distributor that can provide after-sales and renting services, offer guarantees, and maintain inventories of parts and supplies. These importers and distributors usually have sales agents who distribute the products to small retailers throughout the country. Local distributors also conduct promotional activities directed to encourage physicians and nurses to recommend their products.

CAFTA-DR Medical Equipment, Harmonized System Code Dominican Republic List

Category A	
HS Code	Description
300510	Adhesive dressings
300590	Wadding, gauze
300610	Sterile surgical catgut and other sterile suture materials
300650	First aid boxes and kits; surgical drapes
630720	Lifejackets and lifebelts
630790	Other made-up articles including dressing patterns and surgical drapes





HS Code	Category A Description
650610	Athletic, recreational, sport safety headgear (lined/trimmed)
681250	Asbestos clothing, clothing accessories, footwear and headgear
841920	Medical, surgical or laboratory sterilizers
841990	Medical, surgical or laboratory sterilizers parts
871310	Invalid carriages (not mechanically propelled)
871390	Invalid carriages
871420	Parts and accessories of invalid carriages
901811	Electrocardiographs, parts and accessories
901812	Ultrasonic scanning apparatus
901813	Magnetic resonance imaging apparatus
901814	Scintigraphic apparatus
901819	Patient monitoring systems Basal metabolism and blood pressure apparatus Electroencephalographs and electromyographs Electro-diagnostic apparatus, parts and accessories
901820	Ultraviolet or infrared ray apparatus, parts and accessories
901831	Syringes and parts (hypodermic, with or without needles)
901832	Needles for sutures
901839	Bougies, catheters, drains, sondes, parts and accessories Cannulae, parts and accessories
901850	Ophthalmic instruments, parts and appliances
901890	Optical instruments, parts and appliances Anesthetic instruments, parts and appliances Percussion hammer, stethoscopes and parts Sphygmomanometers, tensimeters, parts and accessories Electro-surgical instruments, appliances and parts Dialysis instruments apparatus, parts and accessories Ultrasonic and non-ultrasonic therapeutic appliances and instruments Electro-medical instruments, parts and accessories Medical, surgical instruments and accessories
901910	Mechano-Therapy Appliances and Massage apparatus, parts Psychological aptitude-testing apparatus and part
901920	Ozone, oxygen, therapy, respiration apparatus and parts
902000	Breathing appliances, gas mask, parts and accessories
902110	Bone plates, screws, nails and other internal fix devices Orthopedic or fracture appliances and parts
902131	Artificial joints, parts and accessories
902139	Artificial body parts, parts and accessories





HS Code	Category A	
	Description	
902150	Pacemaker for stimulating heart muscles Apparatus based on x-ray: (dental, medical, surgical and veterinary and other)	
902213	Other Dental	
902214	Other Medical, surgical, veterinary	
902219	Other	
902221	Apparatus based on alpha, beta, etc., radiation, medical	
902229	Apparatus based on alpha, beta, etc., radiation for smoke detectors, other	
902230	X-ray tubes	
902290	High tension generators, desks, chairs	
902290	Parts of: X-ray tubes Apparatus based on the use of X-rays Ionization type smoke detectors Alpha, Beta/Gamma radiations	
940290	Hospital furniture	
940290	Medical surgical furniture (dental or veterinary)	

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